

Message Text

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PAGE 01 STATE 202882

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TO USMISSION GENEVA

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FOLLOWING REPEAT BUENOS AIRES 5198 AUGUST 9 76.

QTE: UNCLAS BUENOS AIRES 5198

PASS TREASURY, COMMERCE

E.O. 11652: N/A

TASG: ETRD, EFIN, AR

SUBJECT: LATEST CHANGES IN ARGENTINE IMPORT & EXPORT REGIMES

REF: A) BUENOS AIRES 3700; 1975 BUENOS AIRES 7099

1. ON JULY 29, 1976 CENTRAL BANK ISSUED CIRCULARS RC 645 & 646 MODIFYING MIXED RATES APPLICABLE TO IMPORTS AND EXPORTS AS IMPLEMENTED IN RC 628 & 631 (AS REPORTED IN REFTEL A) AND AS LATER MODIFIED BY RC 634 DATED JUNE 4. ESENTIALLY, CHANGES CONTINUE POLICY OF GRADUAL DECONTROL OF EXCHANGE RATE AND CONVERGENCE OF EXISTING SYSTEM OF MULTIPLE EXCHANGE RATES TO THE FREE MARKET RATE. OFFICIAL DOLLAR RATE REMAINS PEGGED AT 140 PESOS AS OF JULY 29; FREE MARKET RATE IS 247 SELLING AND 252 BUYING.

2. EXCHANGE RATES FOR IMPORTERS. NEW MIXED RATES COMPARED TO RATES UNDER RC 634 AS FOLLOW: ITEMS INCLUDED IN LIST A ATTACHED TO RC 628 WILL NOW BE PAID FOR 78 PERCENT AT OFFICIAL RATE, AND 22 PERCENT AT FREE RATE (PREVIOUSLY 92 PERCENT OFFICIAL AND 8 PERCENT FREE RATE.) THIS EFFECTIVE RATE FOR THESE PRODUCTS INCREASES FROM 148.96 TO 164.64 OR 10.5 PERCENT); ITEMS INCLUDED IN LIST B (PRIMARILY CONSUMER AND CAPITAL GOODS), AND UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 202882

IN LIST C (FREIGHT AND INSURANCE), BOTH ATTACHED TO RC 628,

WILL BE PAID FOR 31 PERCENT AT OFFICIAL RATE AND 69 PERCENT AT FREE RATE (PREVIOUSLY 44 PERCENT OFFICIAL AND 56 PERCENT AT FREE RATE, THUS EFFECTIVE RATE FOR THESE ITEMS INCREASES FROM 202.77 TO 217.28 OF 7.2 PERCENT); ITEMS INCLUDED IN LIST D ATTACHED TO RC 631, (LUXURY AND "NON-ESSENTIAL" PRODUCTS) CONTINUE TO BE PAID FOR 100 PERCENT AT FREE RATE; PRODUCTS NOT INCLUDED IN LIST A AND B RC 628 AND NOT INCLUDED IN LIST D OF RC 631 (PRIMARILY RAW MATERIALS AND OTHER ESSENTIAL INDUSTRIAL INPUTS) WILL BE PAID FOR 53 PERCENT OFFICIAL AND 47 PERCENT AT FREE RATE (PREVIOUSLY 65 PERCENT OFFICIAL AND 35 PERCENT FREE RATE, THUS INCREASING EFFECTIVE RATE FOR THESE PRODUCTS FROM 179.20 TO 192.64 AND 7.5 PERCENT). RC 646 CONTINUES REQUIRE DEFERRED PAYMENT BUT ALLOWS IMPORTERS TO MAKE CASH PAYMENT UP TO 15 PERCENT OF THE TOTAL FOB VALUE TO THE EXTENT THAT THIS PORTION IS TRANSACTED AT THE FREE RATE UNDER THE ABOVE REGULATIONS, WITH THE BALANCE OF FREE RATE PORTION TO BE PAID IN ACCORDANCE WITH PREVIOUS REGULATION, I.E. 180 DAYS OR MORE ITEMS IN LIST C ARE EXCEPTED FROM DEFERRED PAYMENT AND THUS IMPORTERS MAY MAKE CASH PAYMENT FOR 69 PERCENT OR THE ENTIRE PORTION TRANSACTED AT THE FREE RATE.

3. EXCHANGE RATES FOR EXPORTERS. STARTING JULY 29, 1976, EXPORTERS FOR MOST PRODUCTS WILL RECEIVE A MIXED RATE OF 31 PERCENT OFFICIAL AND 69 PERCENT FREE MARKET RATE. PROMOTED EXPORTS (MOSTLY MANUFACTURES) AND EXPORT CONTRACTS FOR TURNKEY PLANTS (SEE PARA. 9 OF REFTER B) ARE TO BE ENTIRELY TRANSACTED AT THE FREE RATE. PREVIOUSLY A MIXED RATE OF 44 PERCENT OFFICIAL AND 56 PERCENT FREE RATE APPLIED TO ALL EXPORTS. IN ADDITION, EXPORT SUBSIDIES WILL BE REDUCED AND EXPORT TAXES RAISED, REDUCING BENEFIT TO EXPORTERS OF HIGHER RATE AND IMPROVING TREASURY FISCAL POSITION. CENTRAL CATEGORY. AS PREVIOUSLY, TAXES RANGE FROM 5 TO 50 PERCENT; SUBSIDIES NOW RANGE FROM 5 TO 20 PERCENT (PREVIOUSLY 5 TO 35). THE 5 PERCENT ADDITIONAL SUBSIDY TO ENCOURAGE EXPORTS TO NON-TRADITIONAL MARKETS CONTINUES TO FORCE. THUS, EFFECTIVE RATE, INCLUDING TAXES AND SUBSIDIES NOW RUNS FROM 106.91 PFSOS FOR TRADITIONAL EXPORTS TO 308.75 FOR INDUSTRIAL PRODUCTS EXPORTED TO NON-TRADITIONAL MARKETS.

4. BANS ON IMPORTS AND EXPORTS LIFTED. IN A MOVE TO COMPLY
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PAGE 03 STATE 202882

WITH THE GATT GUIDELINES AND TO ALLOW GREATER MARKET FLEXIBILITY RESPECTING IMPORTS AND EXPORTS, MINISTRY OF ECONOMY ISSUED RESOLUTIONS 291 AND 292 AUTHORIZING IMPORTATION AND EXPORTATION OF PRODUCTS PREVIOUSLY "SUSPENDED" AND EFFECTIVELY BANNED. WITH RESPECT TO EXPORTS, THIS ACTION REMOVES RESTRICTION ON PRODUCTS WHICH, BECAUSE OF SHORTFALLS IN THE LOCAL MARKET, WERE EMBARGOED IN A STREAM OF DECREES AND RESOLUTIONS ISSUED BY THE MINISTRY OF ECONOMY DURING THE YEARS 1974 AND 1975; A LENGTHLY LIST OF

AFFECTED PRODUCTS WAS RECENTLY PUBLISHED IN THE BULLETIN OF THE MINISTRY OF ECONOMY. WHICH WILL BE POUCHED. CERTAIN EMBARGOES ON EXPORTS REMAIN IN FORCE: IRON ORE AND PIG IRON SKINS AND FURS, AND CERTAIN RAW AND SEMI-PROCESSED MATERIALS. WITH RESPECT TO IMPORTS, ALL EMBARGOES ARE LIFTED WITH THE EXCEPTION OF LIQUOR, CIGARETTES, COSMETICS, AND TUILETRIES. HOWEVER, EMBASSY IS INFORMED THAT GOA WILL CONTINUE TO IMPOSE DE FACTO EMBARGO ON IMPORTS, AS REQUIRED BY FOREIGN EXCHANGE SUPPLY CONDITIONS, THROUGH IMPORT LICENSEE APPROVAL PROCESS. IN ANY CASE, LIBERALIZATION MAY BE MORE APPARENT THAN REAL, IN VIEW OF HIGH TARIFFS WHICH REMAIN IN FORCE. CHAPLIN UNQTE KISSINGER

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